



FY2021-22 BUDGET STUDY SESSION

CITY MANAGER'S PROPOSED OPERATING & CAPITAL BUDGET

**CITY COUNCIL
BUDGET STUDY SESSION**

Jovan D. Grogan, City Manager
Qianyu Sun, Finance Director

June 8, 2021



Today's Objectives

- ❖ Continue Discussions on the City Manager's Proposed Operating Budget for Fiscal Year 2021-22
- ❖ Receive Detailed Presentation on Enterprise and Internal Service Funds
- ❖ Ask questions and provide directions on the operating budget!



Budget Study Session Goals

Depart this room...

- with a deeper understanding of the City of San Bruno's operating budget
- with knowledge of the immediate and long-term fiscal challenges facing the General Fund and Enterprise Funds
- empowered to articulate the City's fiscal condition and key items in the FY2021-22 proposed budget to your constituents
- feeling satisfied that your questions were addressed or will be addressed in subsequent budget meetings



Tonight's Agenda

City Council Study Session on the City Manager's FY 2021-22 Proposed Budget

- I. Highlight the Budget Presentation on June 1
- II. Enterprise Fund Budget Presentations
- III. Internal Service Fund Budget Presentations
- IV. Additional Council Questions & Discussion



I. Budget Development Process



FY2021-22 City Manager Budget Instructions

- Status-Quo Budget, with much needed enhancements
 - All departments start with baseline budget to maintain the current operational level
 - Increases to baseline budget limited to inflation adjustments
 - Budget enhancement proposals must align to a City Council Priority Focus Area
 - General Fund reserve accounts to be funded to policy target



City Council Budget Deliberation Dates

Jun	Description	Meeting Start Time
June 1	Budget Study Session: <ul style="list-style-type: none">• Presentation of Proposed Operating Budget• Council Questions	5:00pm
June 8	1st Budget Hearing I: <ul style="list-style-type: none">• <i>Presentation of Proposed Operating Budget - continued</i>• <i>Response to Council Questions</i>	7:00pm
June 9	2nd Budget Hearing: <ul style="list-style-type: none">• <i>Presentation of Proposed CIP Budget</i>• <i>Response to Council Questions</i>	5:00pm
June 22	Budget Deliberation & Adoption	7:00pm



II. Proposed Budget Discussion Highlight



FY2021-22 Proposed Budget Stats

**\$193M All
Fund Budget**

**\$51M
General Fund
Budget**

**246 FTE
Positions**

**104 Capital
Improvement
Projects**



General Fund Summary

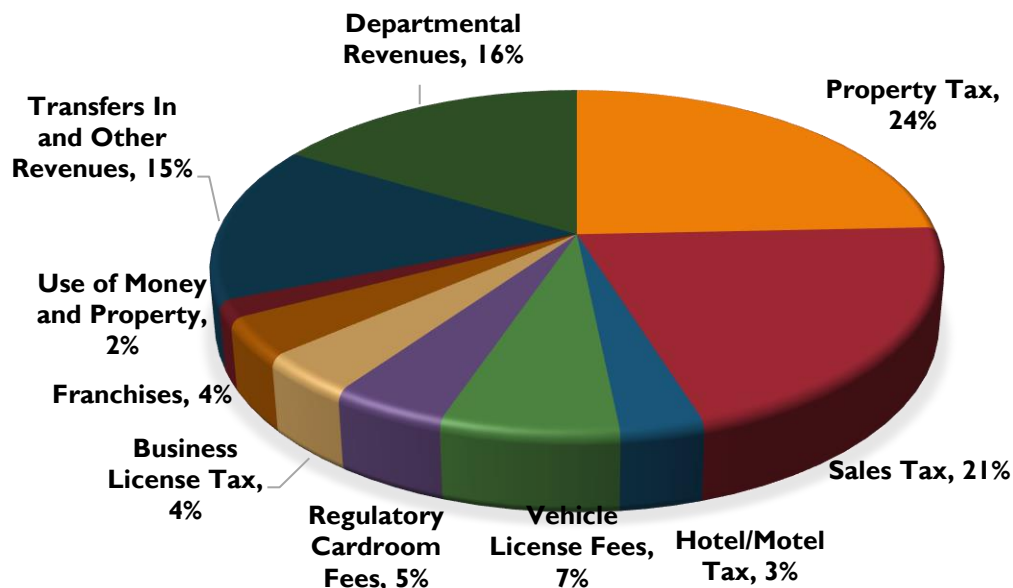
	FY2020-21 Amended Budget	FY2020-21 Estimated Actual	FY2021-22 Proposed Budget
Beginning Fund Balance	\$2,574,788	\$2,574,788	\$2,573,422
Total Operating Revenues*	49,708,881	48,813,093	50,519,441
Total Operating Expenditures	(50,221,450)	(48,814,459)	(51,116,558)
Surplus / (Deficit)	(515,569)	(1,366)	(597117)
Ending Fund Balance	\$2,059,219	\$2,573,422	\$1,976,305

* Operating Revenues include interfund transfers for budget balancing.

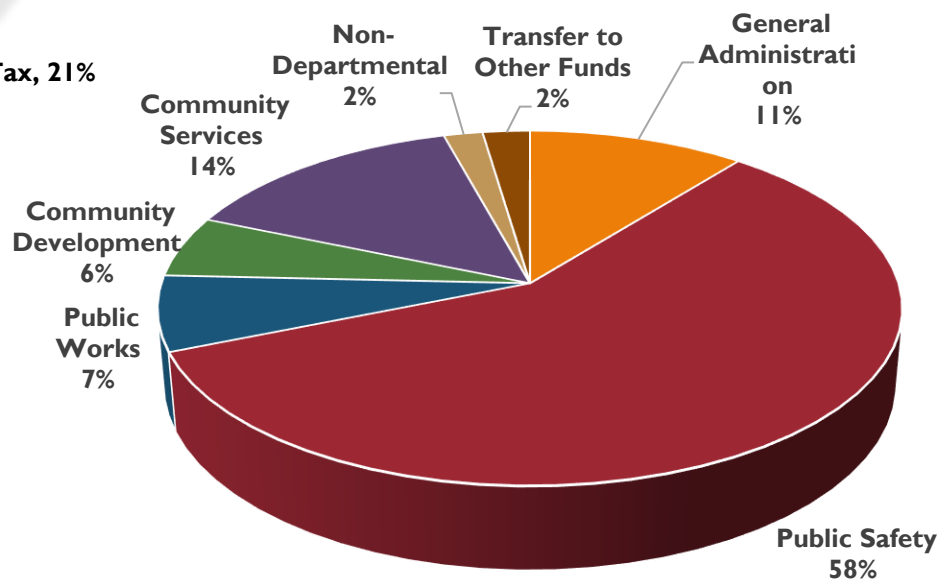
General Fund Summary



REVENUES



EXPENDITURES





Projected FY2021-22 Summary

General Fund	FY2021-22 Projected (Millions)
Projected Beginning Fund Balance	\$2.6
Revenues	49.9
Expenditures	51.1
Surplus / (Deficit)	(1.2)
Projected Ending Fund Balance prior to Measure G Transfer	1.4
Transfer from Measure G	0.6
Projected Ending Fund Balance <i>(prior to enhancement requests)</i>	2.0



GF Revenue Highlight

- ❖ Property tax is to increase moderately with the housing market remaining hot
- ❖ Sales tax will increase about 11% when economic activities increase after the State fully opens
- ❖ TOT will increase by 72% but still more than half behind the pre-COVID level
- ❖ Vehicle License Fess will be 9% lower as more schools are converting to basic schools



General Fund Tax Revenues

Revenue Source	FY2020-21 Amended Budget	FY2020-21 Estimated Actual	FY2021-22 Proposed Budget	% Change in Budget
Property Tax	\$11,951,481	\$12,010,565	\$12,289,268	3%
Sales Tax	9,468,926	9,118,002	10,513,464	11%
Transient Occupancy Tax	950,000	957,000	1,633,041	72%
Vehicle License Fees	3,804,406	3,182,913	3,474,507	-9%
Regulatory Cardroom Fee	2,006,000	2,035,009	2,278,567	14%
Business License Tax	1,930,334	1,966,265	1,959,000	1%
Total	\$30,111,147	\$29,269,753	\$32,147,846	7%



Expenditure Pressures

- ❑ Rising Pension Costs (CalPERS)
- ❑ Health and other insurance costs
- ❑ Union MOU negotiations
- ❑ Status quo baseline budgeting means...
 - Reduced staffing (*recent cuts cannot be fully restored*)
 - Limited ability for enhanced facility & infrastructure maintenance
 - Significant backlog of capital projects remain
 - No easy decisions (*cannot address all needs*)



General Fund Expenditures

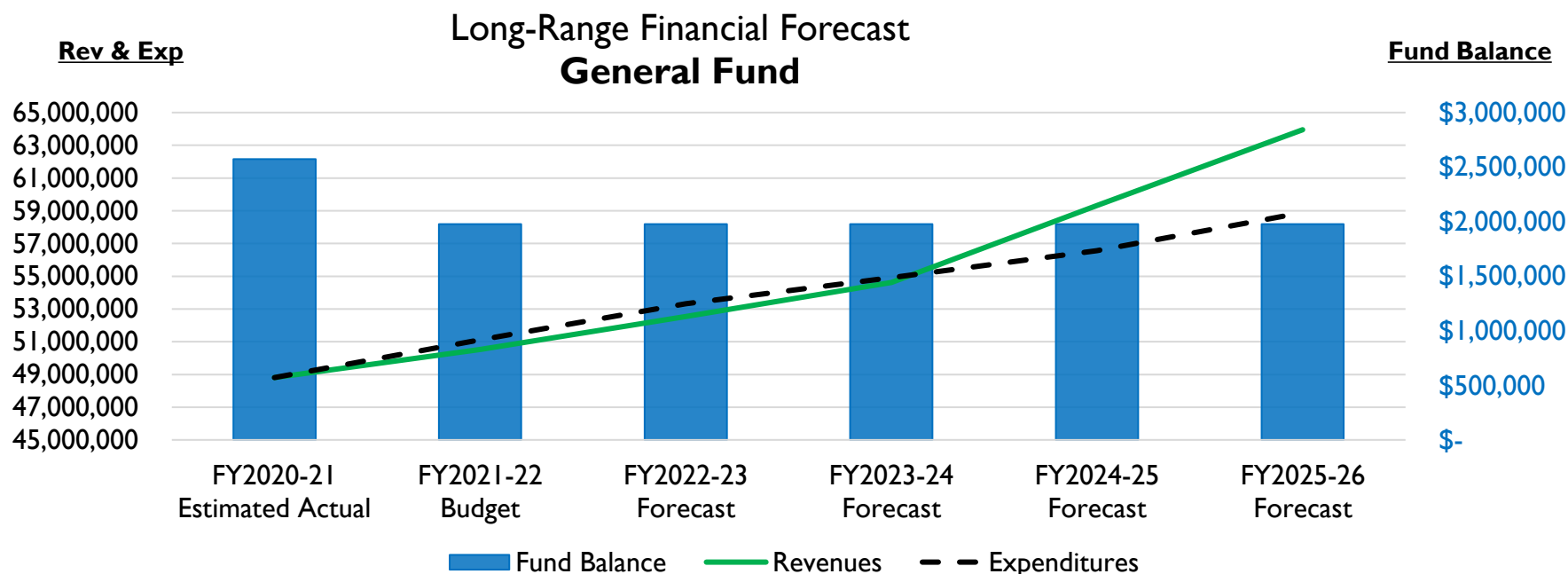
Department	FY2020-21 Amended Budget	FY2020-21 Estimated Actual	FY2021-22 Proposed Budget	% Change in Budget
General Government	\$5,708,143	\$5,700,887	\$5,843,898	2%
Police	19,594,878	18,151,301	19,582,117	0%
Fire	12,086,529	12,388,384	11,887,657	-2%
Public Works	4,348,695	4,155,105	3,709,016	-15%
Community & Economic Development	3,715,022	3,517,596	3,018,968	-19%
Community Services	7,831,399	7,682,552	7,817,757	0%
Non-Departmental*	(4,534,420)	(4,252,571)	(2,016,007)	-56%
Total	\$50,21,450	\$48,814,459	\$51,116,558	2%

*Note: Non –Departmental includes cost allocation recovery and transfer out for debt service payments.

Source: City of San Bruno, City Manager's Proposed Budget FY2021-22



General Fund Long Range Financial Plan



- Gradual increases in tax revenues
- Conservative assumption for development projects
- 3-5% personnel cost increases
- No significant service level changes
- Assumes funding reductions required in future years to balance the budget



Challenges

- Expiring Collected Bargaining Agreements
- Stormwater Enterprise Fund Challenges
- City Net Services Enterprise Fund Deficit
- Needed Personnel Investment
- IT System Maintenance and Investments
- Equipment and Vehicle funding
- Pressure on Fund Balances and Reserves
- Continued status quo budgeting, with limited enhancements



General Fund Unrestricted Reserves

Reserve Type	Reserve Policy Target	FY2020-21 Estimated Ending Balance	FY2021-22 Budget Ending Balance
General Fund	\$1,500,000	\$2,573,422	\$1,976,305
General Fund Reserve	25% of annual, budget expenditures	12,288,675	12,288,675
General Fund Capital Reserve	Goal of \$5,000,000	9,929,404	9,375,852
Emergency Disaster Fund	Target of \$3,000,000	1,946,538	2,714,538
Total		\$26,738,039	\$26,355,370



Net General Fund Reserves

Reserve Type		FY2021-22 Budget Ending Balance
Unrestricted Reserves		\$26,355,370
Enterprise Fund Deficit		
	City Net Services	(14,588,174)
	Stormwater Fund	(1,039,726)
Unrestricted Reserves - Subtotal		\$10,727,470
Equipment Reserve		3,373,544
Net General Fund Reserves		\$14,101,015



Measure G – Proposed Uses in FY2021-22

Item	FY2021-22 Proposed Budget
Projected Beginning Fund Balance <i>(rounded)</i>	\$462,000
FY 2021-22 Revenue Budget	3,500,000
<u>Proposed Uses in FY2021-22</u>	
CIP Street Projects	\$1,400,000
Downtown Streetscape Plan Implementation - Landscape Architectural Services <i>(Enhancement Request)</i>	\$300,000
Employee Positions <i>(Enhancement Request)</i>	804,000
Contribution to GF Fund Balance	600,000
Total Proposed Uses	\$3,104,000
Projected Ending Fund Balance	858,000



ARPA - Proposed Uses in FY2021-22

- **Current Budget FY 2020-21: \$290,000**
 - SMC Strong Restaurant, Brewery and Winery Relief Program

- **Proposed Budget FY 2021-22: \$1,758,927**
 - **Capital Improvement Projects: \$750,000**
 - **Position Funding: \$1.0M**

ARPR Financial Summary



Item	Actual FY 20-21	Proposed FY 21-22	Projected FY 22-23	Projected FY 23-24	Projected FY 24-25	Total ARPA Funding
Business Grants	290,000					290,000
Proposed CIP Funding		750,000	1,100,000	900,000		2,750,000
Proposed Position Funding		1,008,927	855,332	587,328	302,474	2,754,061
Total	\$ 290,000	\$ 1,758,927	\$ 1,955,332	\$ 1,487,328	\$ 302,474	\$ 5,794,061

American Rescue Plan Act Financial Summary of Proposed Uses

Total ARPA Revenue	8,057,480
<u>Proposed through FY 24-25</u>	<u>5,794,061</u>
Unallocated ARPA Funds	\$ 2,263,419



Enhancements Summary

- Partially restore service cuts implemented last fiscal year (FY 2020-21)
 - Reinstate 12 previously frozen positions and add 6 new positions
 - Fund sources for enhancement requests...
 - American Rescue Plan Act: \$1,064,000 (*discussed above*)
 - Measure G: \$1,104,000 (*discussed above*)
 - Internal Service Funds: \$289,500
 - General Fund: \$791,846
- Total Proposed Enhancements: \$3,249,000



BREAK



VII. Enterprise Funds - Financial & Operating Summaries





Public Works Department Water Division

Hae Won Ritchie
Interim Public Works Director



Water Overview

18.20 FTEs

Potable Water
Production &
Delivery

Water
Conservation
Programs

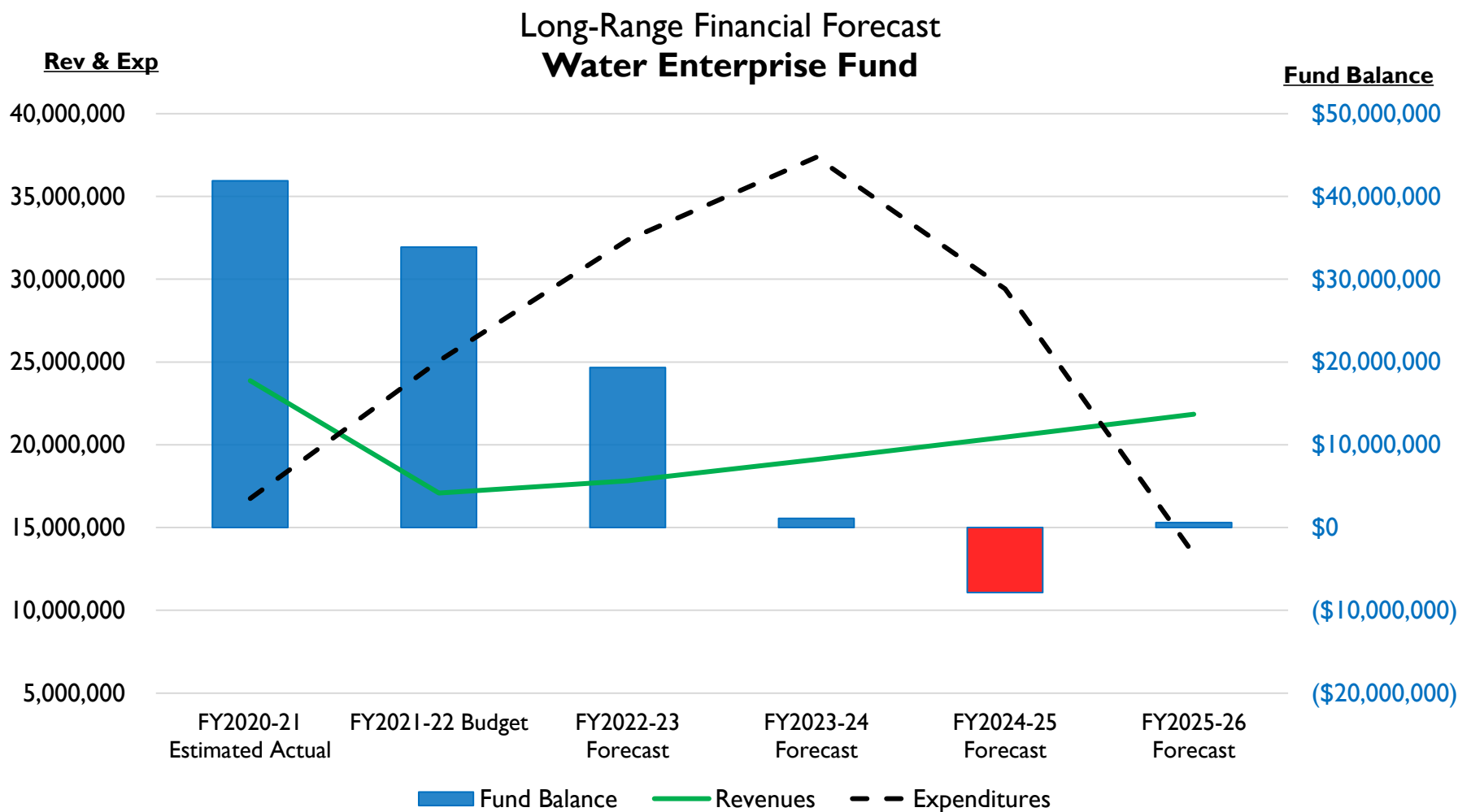
Respond to
Urgent
Community
Needs

Routine &
Preventative
System Repair &
Maintenance

Regulatory
Compliance



Water Long Range Financial Plan



Water Enterprise



	FY2020-21 Amended Budget	FY2020-21 Estimated Actual	FY2021-22 Proposed Budget
Beginning Fund Balance	\$34,734,957	\$34,734,957	\$41,876,646
Total Operating Revenues	17,378,083	17,380,923	17,077,121
Total Operating Expenditures	(10,650,809)	(10,179,828)	(10,551,800)
Operating Surplus / (Deficit)	6,727,274	7,201,095	6,525,321
Sub-total	41,462,231	41,936,052	48,401,967
Debt Proceeds	8,603,281	6,493,235	
CIP, Debt Service & Equipment	(24,385,680)	(6,552,641)	(14,519,995)
Ending Fund Balance	\$25,679,932	\$41,876,646	\$33,881,971

Water Accomplishments & Strategic Initiatives



Notable Budget Changes & Service Level Challenges

- Cancelled of 5% water rate increase for FY 2021-22
- Budget includes new water rate study

Key Initiatives

- Complete Plans
- Complete water infrastructure risk and resilience assessment
- Update drinking water emergency response plan
- Remove sediment and clean interior of remaining 4 tanks
- Develop and implement long-term preventative maintenance program



Public Works Department Wastewater Division

Hae Won Ritchie
Interim Public Works Director



Wastewater Overview

15.75 FTEs

Sewer Collection
System
Maintenance &
Operation

Maintenance of
Wastewater
Collection System

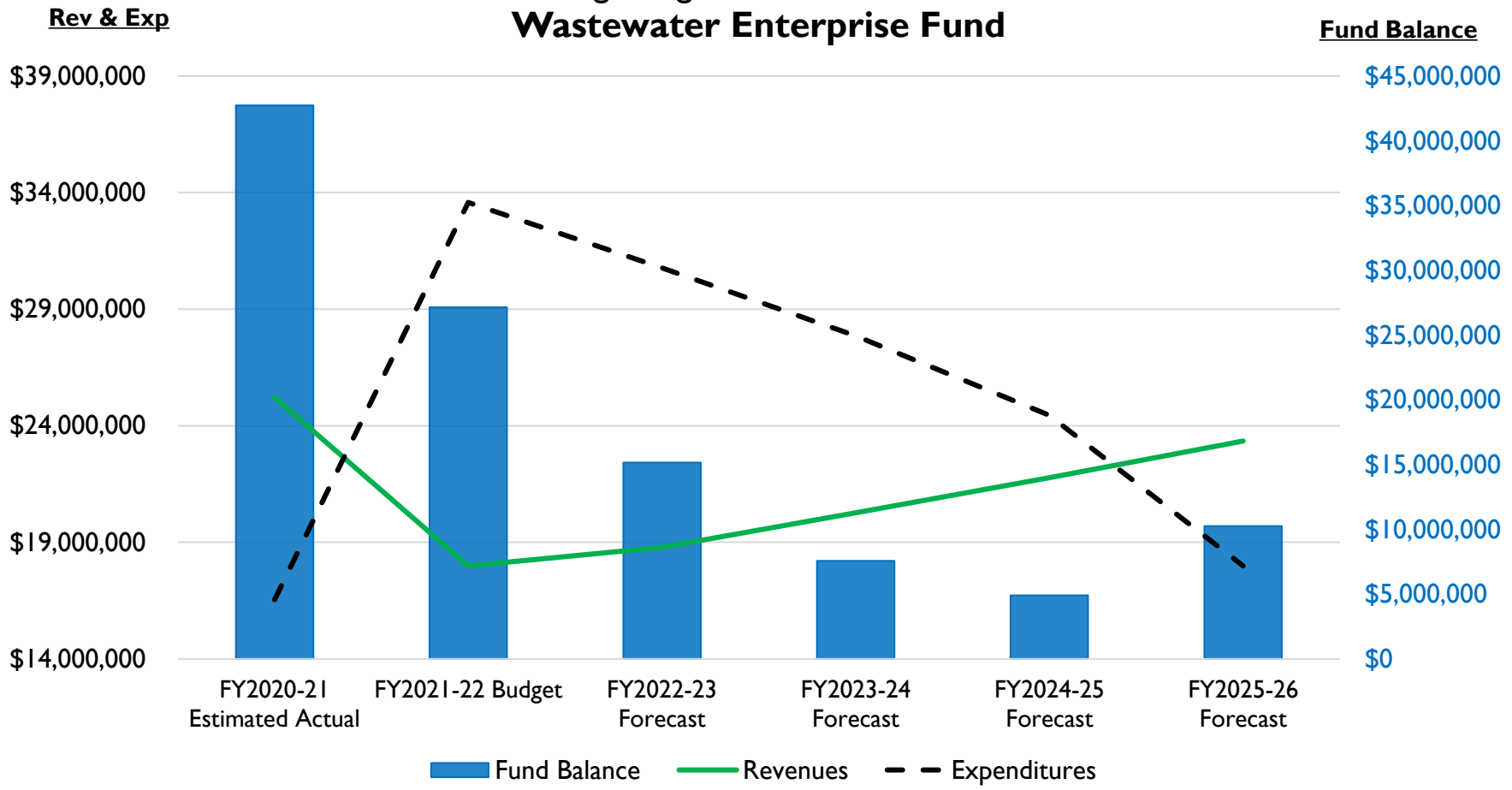
Response to
Urgent
Community
Needs

Regulatory
Compliance

Wastewater Long Range Financial Plan



Long-Range Financial Forecast
Wastewater Enterprise Fund



Source: City of San Bruno, City Manager's Proposed Budget FY2021-22



Wastewater Enterprise

	FY2020-21 Amended Budget	FY2020-21 Estimated Actual	FY2021-22 Proposed Budget
Beginning Fund Balance	\$34,045,966	\$34,045,966	\$42,738,961
Total Operating Revenues	17,929,376	17,816,800	17,989,376
Total Operating Expenditures	(9,729,227)	(9,101,147)	(10,152,468)
Operating Surplus / (Deficit)	8,200,149	8,715,653	7,836,908
Sub-total	42,246,141	42,761,619	50,575,869
Debt Proceeds	8,796,260	7,389,724	
CIP, Debt Service, & Equipment	(23,803,713)	(7,412,381)	(23,427,740)
Ending Fund Balance	\$27,238,661	\$42,738,961	\$27,148,129



Wastewater Accomplishments & Strategic Initiatives

Notable Accomplishment

- Consent Degree lifted due to improvements/programs

Notable Budget Changes & Service Level Challenges

- Cancelled of 5% wastewater rate increase for FY 2021-22
- Budget includes new wastewater rate study
- Increased SSF/San Bruno Sewer Treatment Plant operating and capital cost support

Key Upcoming Projects

- Multiple Avenue sewer replacement project
- Complete Crestwood Pump Station Improvements Project



Public Works Department Stormwater Division

Hae Won Ritchie
Interim Public Works Director



Stormwater Overview

6.05 FTEs

Street Sweeping &
Stormwater
Collection

Customer Service
Activities

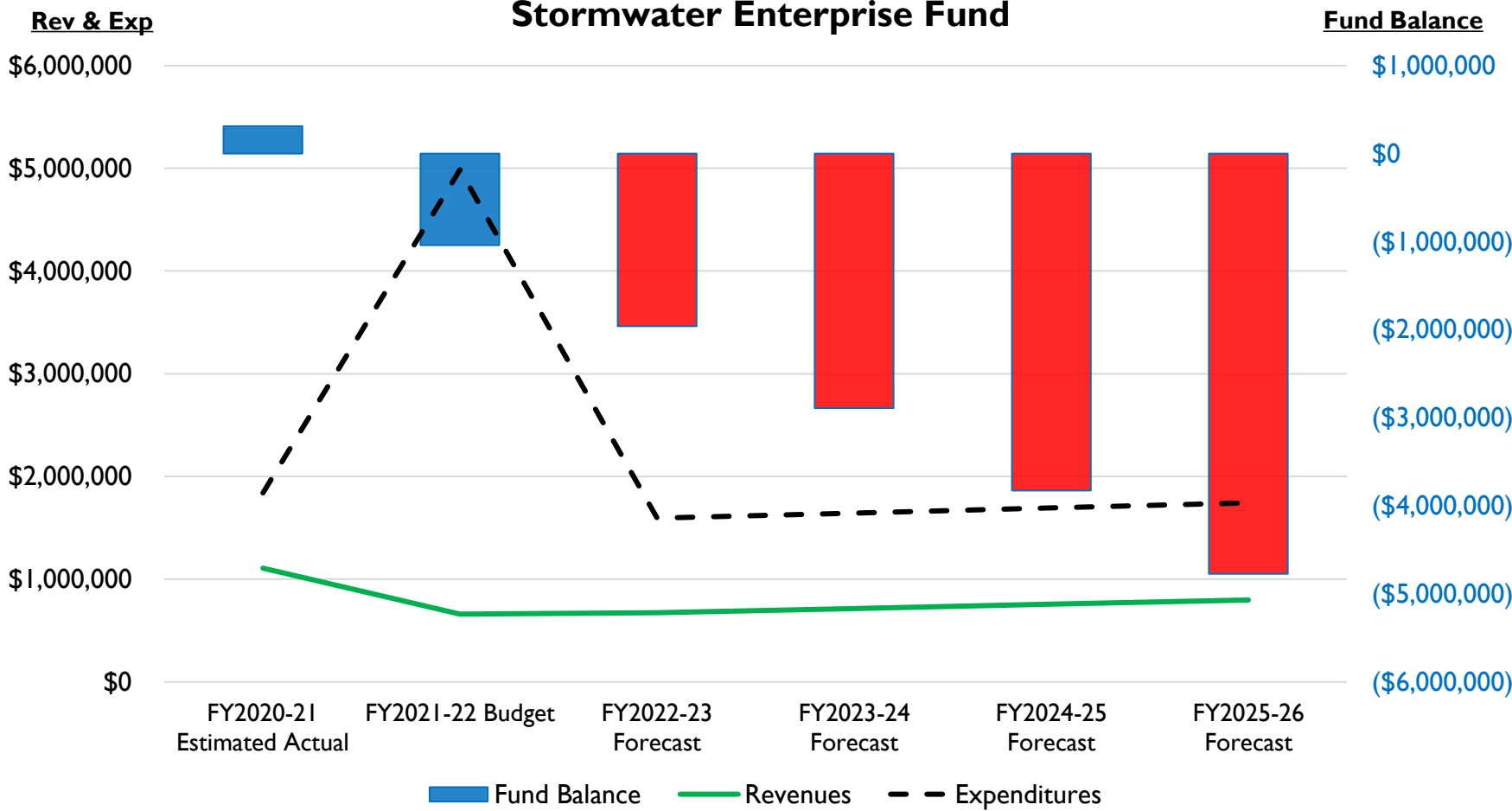
Routine Repair &
Maintenance

Regulatory
Compliance &
Best Management
Practices

Stormwater Long Range Financial Plan



Long-Range Financial Forecast Stormwater Enterprise Fund





Stormwater Enterprise

	FY2020-21 Amended Budget	FY2020-21 Estimated Actual	FY2021-22 Proposed Budget
Beginning Fund Balance	\$1,045,524	\$1,045,524	\$312,335
Total Operating Revenues	693,000	657,009	659,500
Total Operating Expenditures	(1,195,302)	(1,084,502)	(1,534,673)
Operating Surplus / (Deficit)	(502,302)	(427,493)	(875,173)
Total CIP, Debt Proceeds, & Equipment	(575,201)	(305,696)	(476,888)
Ending Fund Balance	(\$31,979)	\$312,335	<u>(\$1,039,726)</u>



Stormwater Enterprise

Notable Budget Changes & Service Level Challenges

- Prop 219 ballot initiative to address historic inadequate funding to support on-going operations and capital improvements

Strategic Initiatives

- Spyglass Drive Storm Drain Improvements (partially granted funded) -- **\$1.5M**
- Develop next phase of trash capture device installations



CityNet Services Department

Sandeep Krishnamurthy
Director





CityNet Services Overview

20.00 FTEs

Broadband
Services

Customer Care &
Support

Optimized
Delivery System

High Speed
Internet Service

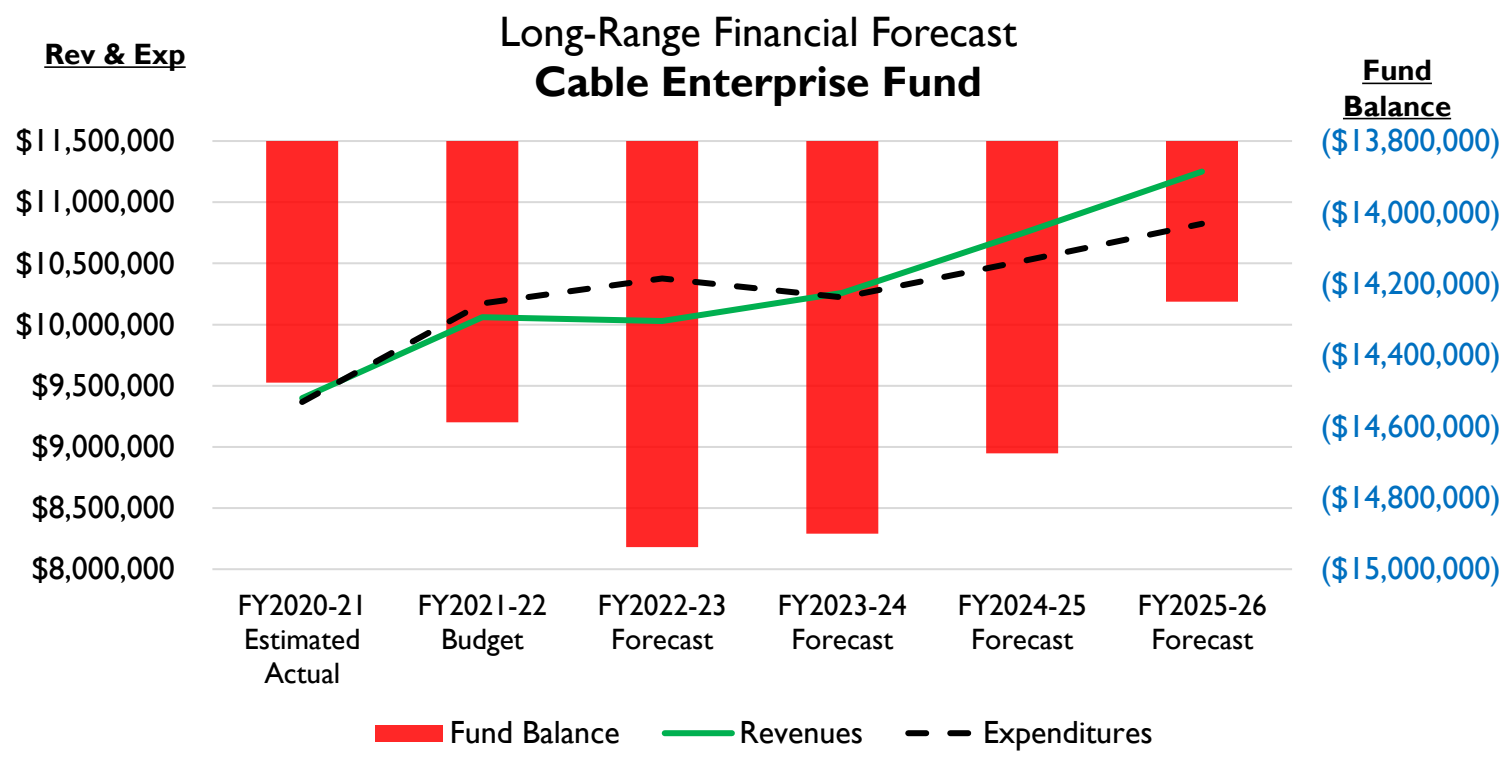
Wi-Fi Internet
Service

Voice Over
Internet Protocol
Phone Service
(VoIP)

Commercial Voice
& Data Services

Local Origination
Programming

CityNet Services Long Range Financial Plan





CityNet Services Enterprise

Was \$9.9M in original budget	FY2020-21 Amended Budget	FY2020-21 Estimated Actual	FY2021-22 Proposed Budget
Beginning Fund_Balance	(\$14,509,980)	(\$14,509,980)	(\$14,476,795)
Total Operating Revenues	9,399,433	9,399,433	9,810,775
Total Operating Expenditures	(9,699,370)	(9,364,066)	(9,478,829)
Operating Surplus / (Deficit)	(299,937)	35,368	331,946
Total CIP, Debt Proceeds, & Equipment	(354,210)	(2,183)	(443,325)
Ending Fund Balance	(\$15,164,126)	(\$14,476,795)	(\$14,588,174)



CityNet Services

Notable Budget Changes & Service Level Challenges

- IPTV Revenue stream planned to commence in 2021-22
- Reduced operating expenses
 - Programming contract cost savings from recent renegotiations
 - *\$25,000/month savings started in Jan 2021*
 - Total contractual savings implemented in current year FY 20-21: \$800,000 annually/on-going
- Aging fleet of vehicles
- Equipment obsolescence

Key Initiatives

- Identify funding and continue planning efforts for Fiber to the Home (FTTH)
- Upgrade Channel 1 to High Definition *(included in budget to be funded by ARAP)*



CityNet Services

❑ Operational Statistics During Pandemic

- Internet usage – 17 Gigabits average daily traffic; up over 100%
- TV Usage – 25 million minutes viewed per month; up over 100%
- Call Center – 3,000 calls/month. Improvement trending in call answer rates in second half of year

❑ \$233,000 unpaid subscription bills

- Not uncollectable debt just yet (referring customers to State/Federal utility bill assistance programs)

■ Subscriber Trends

- 500 subscribers lost – loss mostly from old rate card subscribers (March 2020-April 2021)
 - Total subscribers: 7,000 homes as of May 2021
- Over 95% of current subscribers have internet
- Conversion to new rate card – 37% of subscriber base on it. Implies a better operating margin (CityNet makes money)

Future CityNet Study Session



- ❖ Staff planning an updated study session on CityNet
 - Q1 FY 2021-22 (August/September)
- Work in progress
 - Finalization of CityNet revenue Study
 - Business Plan Audit (recommended by City Auditor)
 - Researching Federal/State Grants
 - Regional fiber / internet...



BREAK



VIII. Internal Service Funds / Departments



Internal Service Fund Reserves

Fund	Reserve Policy Target	FY2019-20 Ending Balance	FY2020-21 Ending Balance	Budget Percent of Target
Central Garage	25% of annual, budget expenditures	\$237,376	\$108,935	100%
Building & Facilities	25% of annual, budget expenditures	79,860	248,431	100%
Technology	25% of annual, budget expenditures	128,429	162,361	100%
Self Insurance	N/A	310,889	500,852	N/A
Total		\$756,554	\$1,020,579	100%



Public Works Department Central Garage Division

Hae Won Ritchie
Interim Public Work Director



Central Garage Overview

2.60 FTEs

Provide Employees
with Operable,
Well-Maintained
Vehicles

Preventive
Maintenance &
Repair

Vehicle Acquisition
& Disposal

Support Services



Central Garage Budget

Item	FY2020-21 Amended Budget	FY2021-22 Proposed Budget
Departmental Revenues / Recovery	\$575,000	\$857,154
Expenditures	\$719,441	\$722,650
Central Garage Fund Support	(\$144,441)	\$84,504

Notable Budget Changes & Service Level Challenges

- Strip and re-coat the garage bay floors, paint, etc.
- Toolboxes, equipment storage, and workstation
- Baseline budgeting means unable to restore prior budget cuts to supplies, contract repair, hazmat and laundry services



Public Works Department Building & Facilities Division

Hae Won Ritchie
Interim Public Works Director



Building & Facilities Overview

8.90 FTEs

Maintenance &
Management for
17 facilities

Custodial,
Maintenance &
Repair

Management &
Supervision of
Construction
Projects

Oversee
Implementation of
ADA Transition
Plan



Building & Facilities Budget

Item	FY2020-21 Amended Budget	FY2021-22 Proposed Budget
Departmental Revenues / Recovery	\$1,724,000	\$1,805,663
Expenditures	\$1,701,618	\$1,816,881
Building & Facilities Fund Support	\$112,382	(\$11,218)

Notable Budget Changes & Service Level Challenges

- Additional funds for maintenance (library roof spot, interior paint, pressure washing exterior walls and sidewalks at City facilities, HVAC, roof contract maintenance, re-paint generator at Arbor Court, door and entryway and lock/key service, uniform cleaning)
- Hazardous waste disposal/recycling, County fees
- Status quo baseline budgeting means limited ability for enhanced facility & infrastructure maintenance & CIP backlog remains

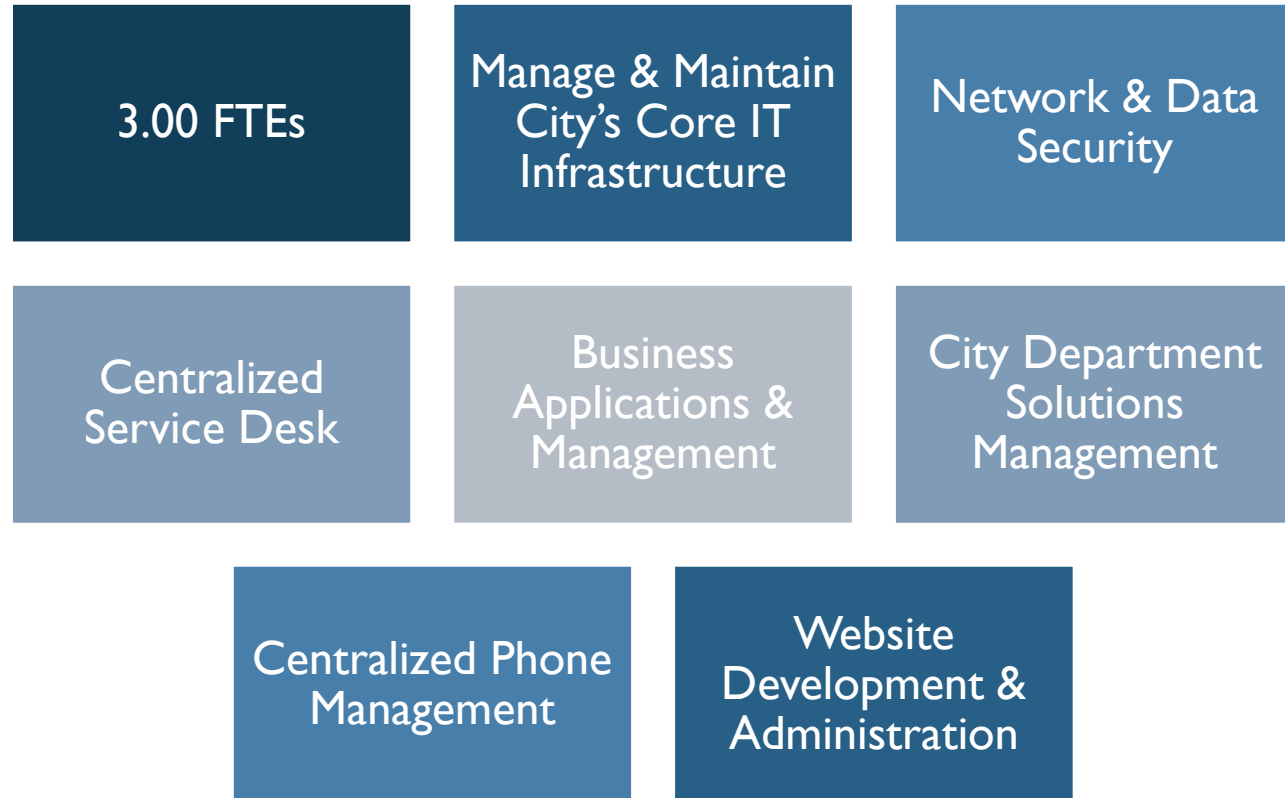


Information Technology Division

Sandeep Krishnamurthy
Director



Technology Overview





IT Budget

Item	FY2020-21 Amended Budget	FY2021-2022 Proposed Budget
Departmental Revenues	\$1,058,000	\$907,071
Expenditures	\$1,050,357	\$1,113,152
Surplus / (Deficit)	\$7,643	\$(206,081)

Notable Budget Changes & Service Level Challenges

- CARES Act funds paid for Cybersecurity enhancements (\$277,000) in 2020-21; American Rescue Plan Act funds planned to cover specific, authorized use projects in 2021-22
- City Website, phone systems to be changed in 2021-22
- Digital tools for conduct of City business to be enhanced or introduced
- Many IT functions moving to the Cloud for increased security – adding to ongoing expenses
- IT systems reaching End of Life and End of Support



IX. Additional Council Questions and Discussion

Questions and Discussion





Upcoming Council Budget Deliberation Dates

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June 9	2nd Budget Hearing: <ul style="list-style-type: none">• <i>Presentation of Proposed CIP Budget</i>• <i>Response to Council Questions</i>	5:00pm
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THE END